

# ADDRESSING THE BACKLOG IN THE FEDERAL EMPLOYEE RETIREMENT PROCESS

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## HEARING

BEFORE THE  
SUBCOMMITTEE ON FEDERAL WORKFORCE,  
U.S. POSTAL SERVICE AND THE CENSUS

OF THE

COMMITTEE ON OVERSIGHT  
AND GOVERNMENT REFORM  
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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## ADDRESSING THE BACKLOG IN THE FEDERAL EMPLOYEE RETIREMENT PROCESS

Wednesday, December 10, 2014

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL  
SERVICE, AND THE CENSUS,  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 1:28 p.m., in room 2154, Rayburn House Office Building, Hon. Blake Farenthold (chairman of the subcommittee) presiding.

Present: Representatives Farenthold and Lynch.

Staff present: Melissa Beaumont, Assistant Clerk, Jennifer Hemingway, Deputy Policy Director; James Robertson, Senior Professional Staff Member; Andrew Shult, Deputy Digital Director; Peter Warren, Legislative Policy Director; Una Lee, Minority Counsel; and Juan McCullum, Minority Clerk.

Mr. FARENTHOLD. The committee will come to order.

As is traditional with this committee, before we start out, we will read the Oversight Committee's mission Statement.

We exist to secure two fundamental principles: First, Americans have a right to know the money Washington takes from them is well spent. And, second, Americans deserve an efficient, effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect those rights.

Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have a right to know what they get from their government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

I will now recognize myself for a short opening Statement.

The Office of Personnel Management, OPM, is responsible for administering the Federal retirement program, which provides monthly pension checks to 2 1/2 million retired Federal workers and their survivors.

Counter to private-sector practice, where software and computer systems apply complex business rules to unique data, recent annuitants continue to wait their turn in a backlog of claims before receiving their earned pensions. For individuals applying for disability retirement and survivors applying for a lump-sum death benefit, the wait is particularly long.

I remain puzzled why processing a Federal retirement package remains paper-based while products such as TurboTax help millions file their complicated tax returns quickly and electronically.

Since 1987, the OPM has failed at its attempts to bring a modern approach to how the Federal Government pays Federal workers and their pensions. In February, the OPM issued a Strategic Information Technology Plan that discusses a paperless system, but, in reality, it seems that the system, if successfully implemented, will maybe result in less paper, not be paperless.

I applaud the hard work that has been put in in the past few years under your leadership, Mr. Zawodny. However, I am troubled by the fact that this reduction, cutting the backlog in half, relies on hiring additional staff to operate a patchwork paperwork facility with more than 80-plus legacy systems.

You all got \$2.6 million to improve retirement system processes but have only spent \$800,000. I would like to believe that that is a result of good, conservative financial management, but I am afraid that the strategic technology plan is short on detail, lacks detailed information.

There are implementation schedules that stakeholders, including the taxpayer, can use to monitor the progress, and I am looking forward to hearing whether the OPM is ready and capable of achieving true reform and getting some technology in there.

I realize and I have said many times that the Federal Government has trouble computing its way out of a paper bag. But some of the systems that I have read about and heard about in the OPM were stuff submitted electronically, printed out, processed, re-scanned. It really seems like there is a great opportunity for improving efficiency, getting folks the money that they have earned in a timely fashion, and cutting down on the expense and time associated with processing.

I will now recognize my ranking member, Mr. Lynch, for his opening Statement.

Mr. LYNCH. Thank you very much, Mr. Chairman, for holding this hearing to examine the progress made by the Office of Personnel Management in addressing the backlog and timeliness in the processing of Federal retirement claims since the last time we held a hearing on this issue back in 2013.

These last few years have been especially hard on Federal employees, who have had to endure an onslaught of attacks from some Members of Congress on their pay, benefits, and due-process rights. So I am certainly pleased that Chairman Farenthold and I can agree that Congress and OPM must ensure that our Federal employees receive timely and accurate pension payments upon their retirement. Our Nation's dedicated public servants deserve no less. And the chairman and I are both sensitive to the financial hardships that a backlog and long delays in claims processing may cause and have caused some Federal retirees.

I want to commend OPM for successfully achieving its 2012 strategic plan goal of reducing the retirement claims backlog to a manageable level, which was earlier 60,000 claims backlogged in January 2012 to just 14,000 claims at the beginning of this month.

I know the sequestration made that accomplishment harder to achieve, and a large increase in retirement application resulting

from the early retirement and buyout offers from the Postal Service—my sister was one of those retirees. She took the early out. She didn't help matters either.

While I believe that OPM has made great strides in reducing its backlog, it still falls short of the goal to process 90 percent of new retirement claims within 60 days, having only reached 83 percent. I know that progress has been made. As of last month, it remained at 83 percent, but we've got to work on that.

And while I think OPM's incremental approach to modernizing its retirement claims makes sense, it appears that the agency is making much slower progress on this front as we go forward. But, again, the effect of the early retirement issue with the Post Office, that added a historically large amount of claims at one point, and also the effect of sequestration might have exacerbated the problem beyond what we see here.

OPM has noted that implementation of many of the IT initiatives spelled out in OPM's February Strategic Information Technology Plan are dependent upon the receipt of sufficient funding. And I would like to explore in this hearing the support that OPM would need from Congress to ensure that it can modernize its retirement claim systems. I believe that the long-term sustainability of OPM's progress will depend heavily upon a transition from a paper-based, manual process to an electronic process.

Thank you, Mr. Chairman. I appreciate the opportunity to revisit the status of OPM's retirement claims processing, and I look forward to hearing from our panel members.

Thank you. I yield back.

Mr. FARENTHOLD. Thank you very much.

Mr. FARENTHOLD. Members will have 7 days to submit their opening Statements and extraneous material for the record.

Mr. FARENTHOLD. I would now like to take this opportunity to welcome our witnesses.

Ken Zawodny serves as the Associate Director of Retirement Services at the U.S. Office of Personnel Management.

Welcome, sir.

Donna Seymour serves as Chief Information Officer at the U.S. Office of Personnel Management.

Ms. Seymour, welcome.

Valerie Melvin serves as the Director of Information Management and Technology Resource Issues at the GAO.

And Richard Thissen serves as president of the National Active and Retired Federal Employees Association.

Pursuant to committee rules, all witnesses will be sworn in before they testify.

Would you all please rise and raise your right hand?

Do you solemnly swear or affirm that the testimony you're about to give this committee will be the truth, the whole truth, and nothing but the truth?

Let the record reflect that all witnesses answered in the affirmative.

Please have a seat.

We do have votes scheduled to come up. I would like to get through as much of this as we can. We may get it finished before

votes if the House runs typically behind schedule, as it normally does. If not, we may have to leave for votes and then come back.

But in order to facilitate that, let's make sure we've got some time for discussion. We will follow the 5-minute rule, let you all give your 5-minute summary of your written testimony, and then we'll then proceed to questions.

So we'll get started with Mr. Zawodny.

## **WITNESS STATEMENTS**

### **STATEMENT OF KENNETH J. ZAWODNY, JR.**

Mr. ZAWODNY. Thank you. Good afternoon, Chairman Farenthold, Ranking Member Lynch, and members of the subcommittee. Today I would like to—

Mr. FARENTHOLD. Can you come a little closer to the microphone? You've kind of got to get up really close to be heard.

Mr. ZAWODNY. Today I would like to discuss the progress of OPM in reducing the inventory of the Federal retirement claims as well as further automating the claims process.

OPM is responsible for processing over 120,000 retirement applications a year from all 3 branches of the government and dozens of independent agencies. Aside from processing new incoming retirements, OPM also handles post-retirement human-resource functions for 2.5 million Federal annuitants, survivors, and their family members.

In January 2012, OPM released and began implementation of a retirement strategic plan to reduce the inventory of retirement claims, and we remain on track and focused on the goal of adjudicating 90 percent of those claims within 60 days. Today the retirement claims inventory is down to about 9,500 cases from January—from February 2014. We are now processing 83.4 percent of those claims in under 60 days.

Director Archuleta is committed to improving retirement services at OPM. There are three areas targeted for reform: process, customer service, and IT solutions.

The process team is focused on identifying opportunities to gain efficiency in the processes pertaining to the post-adjudicative workload. Process improvements will lead to more timely actions and a reduction in the potential for improper payments. We have mapped out and evaluated current processes, and we review the data collected in order to identify improvement opportunities.

Additionally, the customer service team is studying current processes and customer behavior. The team has made multiple visits to different RS facilities and conducted numerous interviews with current and future retirees. Based on the research, we are focusing our attention on OPM's online services. Interview results show that customers who utilize retirement services' online services are very satisfied with those particular services and activities. The key is to drive more people to the online services and to further improve those services and experiences for the customers.

We also continue to review and improve our call center support. Recent statistics show that the average speed to answer calls for the last quarter of Fiscal Year 2014 was improved by 30 percent.



Our call-handling volume has increased to 41 percent, and we have been able to reduce the amount of busy signals by 91 percent.

We have also reached out to customer service agencies, like the Social Security and Department of Defense, who have similar annuitant populations to exchange information and ideas on how to better serve all of our customers.

Fulfilling a promise she made during her confirmation hearing, Director Archuleta produced a strategic IT plan for OPM within 100 days of becoming the Director. In accordance with this plan, our goal is to deliver iterative capability that will yield near-term results and can be built upon over time as we continue to work toward a full automation solution. We are currently focused on procuring a case management system to track business workflows, which increase transparency and efficiencies. This would create the foundation for a fully automated system of the future.

In Fiscal Year 2015, we plan to release a solicitation for award of a case management system and begin configuration of that tool. Our effort will include an online retirement application that will help agencies ensure they submit a completed retirement application thoroughly and make information more accessible to personnel planning for their retirement.

Currently, we will complete a pilot project with payroll service providers for accepting payroll data from shared service centers using a standardized data format. Throughout 2015 and 2016, we will automate further functions currently performed by the mainframe, such as annuity calculations and routines to send payment information to the Treasury.

Transitioning from the mainframe to a distributed computing environment will save money and increase our ability to make changes to the system in a timely and efficient manner. OPM has made significant progress in reducing retirement claims inventory and modernizing our retirement process. We expect to continue this process; however, we understand that challenges do remain.

Thank you for the opportunity to testify today, and I look forward to answering any questions you may have.

Mr. FARENTHOLD. Thank you very much.

[Prepared Statement of Mr. Zawodny and Ms. Seymour follows:]



**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT**

**STATEMENT OF  
KENNETH ZAWODNY  
ASSOCIATE DIRECTOR, RETIREMENT SERVICES  
U.S. OFFICE OF PERSONNEL MANAGEMENT**

**and**

**DONNA SEYMOUR  
CHIEF INFORMATION OFFICER  
U.S. OFFICE OF PERSONNEL MANAGEMENT**

**before the**

**SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE, AND THE  
CENSUS  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES**

**on**

**“Addressing the Backlog in the Federal Employee Retirement Process”**

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**December 10, 2014**

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Chairman Farenthold, Ranking Member Lynch and Members of the Subcommittee:

Thank you for allowing me the opportunity to appear before you today to discuss the progress of the Office of Personnel Management (OPM) in reducing the inventory of Federal retirement claims, as well as in further automating the claims process.

**Update on Retirement Services Processing**

**Statement of Ken Zawodny and Donna Seymour  
U.S. Office of Personnel Management**

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**December 10, 2014**

OPM's mission is to recruit, retain, and honor a world-class workforce to serve the American people. Under the charge to honor the service of dedicated Federal employees who have devoted their careers to serving the citizens of this country, OPM is responsible for processing in excess of 120,000 retirement applications a year. Aside from processing new, incoming retirements, OPM also handles post-retirement human resources functions for 2.5 million Federal annuitants, survivors and their families. In January 2012, OPM released and began implementation of a Retirement Services strategic plan to reduce the inventory of retirement claims, and we remain on track and focused on the goal of adjudicating 90 percent of retirement cases within 60 days. Today the retirement claims inventory is 14,039 cases, down from 23,554 cases in February 2014. We are processing 83.4 percent of new retirement claims within 60 days or less – with an average processing time of 37 days. In keeping with the principles of open government, inventory reduction and claims processing efficiency metrics are posted publicly on our website on a monthly basis, allowing the public to track our progress.

Director Archuleta is committed to improving Retirement Services (RS) at OPM. There are three areas targeted for reform: Process, Customer Service, and Information Technology (IT) Solutions.

**Process Reforms**

The Process team is focused on identifying opportunities to gain efficiency in the processes pertaining to the post adjudicative workload, such as Federal Employee Retirement System disability claims that are impacted by a Social Security payment. Process improvements will lead to more timely actions and a reduction in the potential for improper payments. We have mapped and evaluated the current processes and will review the data collected in order to

**Statement of Ken Zawodny and Donna Seymour  
U.S. Office of Personnel Management**

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**December 10, 2014**

identify improvement opportunities through process modifications. This initiative will ensure we do not automate flawed processes as we continue our transition to a more fully automated system.

**Customer Service Updates**

The Customer Service team is exhaustively studying current processes and customer behavior. As part of the effort, the team made multiple site visits to RS facilities and conducted numerous interviews with current and future retirees. Based on that research, we are focusing our attention on OPM's online services. Interview results show that customers who utilize RS online services are very satisfied with the services. The key is to drive more people to online services and to further improve those services and experiences. For example, one change we implemented based on customer feedback is revisions to our password reset functionality in Services Online (SOL). Beginning June 1, 2014, annuitants who have forgotten their passwords can receive a temporary password at their email address of record instead of through the U.S. Postal Service. They can select this option from the SOL website or they can use the call center to instantly restore their online access. Allowing annuitants to request a temporary password via the website will reduce calls to the call center and improve the customer experience. We continue to review and improve Call Center support. The recent statistics show that the average speed to answer calls for the last quarter of Fiscal Year (FY) 2014 was 14 minutes compared to 20 minutes in the 1<sup>st</sup> quarter FY 2014, a 30 percent reduction. Our call handling volume has continued to increase from an average of 3,900 in 1<sup>st</sup> quarter FY 2014 to 5,500 in 4<sup>th</sup> quarter FY 2014, a 41 percent increase. And we have been able to reduce busy signals from 39,000 a day in 1<sup>st</sup> quarter FY 2014 to 3,300 in 4<sup>th</sup> quarter FY 2014, a 91.5 percent decrease. We have also

Statement of Ken Zawodny and Donna Seymour  
U.S. Office of Personnel Management

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December 10, 2014

reached out to other Customer Service agencies like the Social Security Administration and the Department of Defense who have similar annuitant populations to exchange information and ideas.

**Retirement Services Information Technology Solutions**

Fulfilling a promise she made during her confirmation hearing, Director Archuleta produced a Strategic IT Plan for OPM within 100 days of becoming director of OPM. This Strategic IT Plan directly addresses several areas of weakness in IT development, administration and governance that have negatively impacted RS IT initiatives in the past.

In accordance with the Strategic IT Plan, our goal is to deliver iterative capability that will yield near-term results and can be built upon overtime as we continue to work toward full automation. Agile development will allow us to realize results more immediately while leveraging the most innovative and cost-effective technology.

We are currently focused on procuring a case management system to track business workflows which will increase transparency and efficiencies. Case management is a priority need in RS because it will create the foundation for a more fully automated system. This case management system will give us greater insight into the cases themselves, our processes, and our performance within those workflows. This solution will provide various levels of integration with other systems used to capture relevant data through the employment, investigation and retirement lifecycles. In FY 2014, we held an industry day and received tailored demonstrations from 17 companies who offer case management products. In addition to this market research, we have undertaken an exhaustive requirements gathering effort to ensure that whatever solution is chosen will meet business needs across the agency, not just in RS. In FY 2015, we plan to

**Statement of Ken Zawodny and Donna Seymour  
U.S. Office of Personnel Management**

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**December 10, 2014**

release a solicitation for award of the case management system and will begin configuration of the tool. Our effort will include an online retirement application that will help agencies ensure they submit completed retirement applications and make information more accessible to personnel planning their retirement.

Concurrently, we will complete the pilot project with payroll service providers for accepting payroll data from Shared Service Center using a standardized data format. Throughout 2015 and 2016, we will automate other functions currently performed using the mainframe, such as annuity calculations and routines that send payment information to Treasury. Transitioning from the mainframe to a distributed computing environment will save money. Moving to a modern tool set, including the case management system, will reduce our maintenance costs and increase our ability to make system changes in a timely manner.

**Conclusion**

OPM has made significant progress in reducing the retirement claims inventory and modernizing the retirement process. We expect to continue this progress utilizing process improvements and realizing incremental IT capabilities; however, we understand that challenges remain.

Under Director Archuleta's leadership, we are prepared to meet those challenges. The retirement claims inventory is at a manageable level. Every month we are getting closer to our goal of 90 percent of claims processed within 60 days. We expect to release a Request for Proposal for an electronic case management system next year. Director Archuleta takes modernizing retirement processing seriously, and OPM is making headway in reducing the inventory and digitizing our processes.

**Statement of Ken Zawodny and Donna Seymour  
U.S. Office of Personnel Management**

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**December 10, 2014**

Thank you for this opportunity to testify and I am happy to address any questions you may have.

Mr. FARENTHOLD. Now, Ms. Seymour, was your Statement included with Mr. Zawodny, or do you have some additional—anything additional to add?

Ms. SEYMOUR. Mine was included. Thank you.

Mr. FARENTHOLD. Thank you.

Ms. Melvin, you are up.

#### STATEMENT OF VALERIE C. MELVIN

Ms. MELVIN. Good afternoon, Chairman Farenthold, Ranking Member Lynch, and members of the subcommittee. Thank you for inviting me to testify on OPM's system for processing Federal employee retirement benefits.

As we all know, OPM has a critical mission to serve current and retired Federal employees, and information technology is integral to this responsibility.

As agreed with your staff, my testimony today summarizes findings that we have previously reported on OPM's efforts and challenges to modernize systems supporting the retirement process and also briefly speaks to its current plans for acquiring new technology. In addition, based on other work that we have undertaken, I will briefly highlight key IT acquisition success factors that, based on selected agencies' experiences, have proven helpful in carrying out IT acquisitions.

In three reports that we have previously issued, we noted that OPM's attempts to modernize its systems were hindered in large measure by ineffective IT planning, management, and execution. Weak project management, to include ineffective system testing, the absence of a process to identify and mitigate project risks, and the lack of a fully functioning oversight body to monitor the modernization projects were among a number of factors that contributed to various stops and starts since 1987 and then to the agency's termination of the retirement modernization program in February 2011.

In January 2012, the agency released a plan describing targeted incremental steps that would include making IT improvements to automate retirement application processing. It Stated a goal, as you have already mentioned, of processing 90 percent of new claims within 60 days by July 2013 but later extended the date to July 2014.

More recently, OPM has indicated that it is focused on acquiring a case management system and ultimately transitioning to a paperless system that will authorize accurate retirement benefits on the day they are due. It also plans other initiatives to incrementally improve retirement processing. We have not yet had an opportunity to closely examine these planned initiatives.

Nonetheless, while it is making these plans and has reported progress toward its processing goal, OPM's modernization success will depend on having a disciplined and effective approach to managing IT investments, one that, among other things, enables the agency to clearly describe how it intends to carry out its modernization projects, to include the projected timeframes and financial and other resources needed to accomplish the modernization and definite measures of its progress toward doing so.



In other work, we have reported on common factors critical to successful IT investment acquisitions that were undertaken by selected agencies. The agencies identified nine factors helpful to their achieving cost, schedule, scope, and performance goals. These included active engagement of program stakeholders throughout the acquisition process and having program staff with the necessary knowledge and skills regarding acquisition and procurement processes, contract monitoring, and other areas of program management.

As OPM moves forward with its case management and other planned initiatives, applying these critical IT acquisition success factors, in conjunction with the industry and government best practices that we have stressed, presents opportunities for the agency to engage in more effective management of its investments. And, in doing so, the agency may better position itself to avoid mistakes of the past and overcome a long history of unsuccessful attempts to modernize the retirement system.

This concludes my oral Statement, and I would be pleased to respond to your questions.

Mr. FARENTHOLD. Thank you very much.

[Prepared Statement of Ms. Melvin follows:]

## GAO Highlights

Highlights of GAO-15-277T, a testimony before the Subcommittee on Federal Workforce, U.S. Postal Service, and the Census, Committee on Oversight and Government Reform, House of Representatives

### Why GAO Did This Study

The use of IT is integral to OPM's ability to carry out its responsibilities in modernizing federal employee retirement claims processing. Since 1987, the agency has undertaken a number of initiatives that were aimed at modernizing its paper-intensive processes and antiquated systems, but that were unsuccessful.

GAO was asked to summarize findings from its previous reports on the challenges that OPM has faced in modernizing its retirement claims processing systems. The testimony also summarizes the agency's current plans to acquire new technology to improve the retirement process and key IT acquisition best practices that could serve as critical factors in the agency's successful accomplishment of its latest modernization efforts.

The information in this testimony is primarily based on GAO's previous work at OPM. GAO also reviewed the agency's plans and related information discussing current efforts to improve retirement processing systems. Additionally, the testimony highlights findings from GAO's previous report on critical success factors for major IT acquisitions. Work in support of this testimony was performed during November and December 2014.

### What GAO Recommends

GAO is not making new recommendations at this time. GAO has previously made numerous recommendations to address IT management challenges that OPM has faced in carrying out its retirement modernization efforts. Fully addressing these challenges remains key to the success of OPM's efforts.

View GAO-15-277T. For more information, contact Valerie C. Melvin at (202) 512-6304 or [melvinv@gao.gov](mailto:melvinv@gao.gov).

December 10, 2014

## FEDERAL RETIREMENT PROCESSING

### Applying Information Technology Acquisition Best Practices Could Help OPM Overcome a Long History of Unsuccessful Modernization Efforts

#### What GAO Found

In a series of reviews, GAO found that the Office of Personnel Management's (OPM) efforts over two decades to modernize its processing of federal employee retirement applications were fraught with information technology (IT) management weaknesses. Specifically, in 2005, GAO made recommendations to address weaknesses in project, risk, and organizational change management. In 2008, as OPM was on the verge of deploying an automated retirement processing system, GAO reported deficiencies in, and made recommendations to address, additional weaknesses in system testing, cost estimating, and progress reporting. In 2009, GAO reported that OPM continued to have deficiencies in its cost estimating, progress reporting, and testing practices and made recommendations to address these and other weaknesses in the planning and oversight of the agency's modernization effort. OPM began to address these recommendations; however, in February 2011, it terminated the modernization effort.

OPM's *Strategic Plan for Fiscal Years 2014-2018* includes a goal to deliver retirement benefits to employees accurately, seamlessly, and on time. To achieve this goal, the agency has plans to acquire a new case management system and, ultimately, to transition to a paperless system that will authorize accurate retirement benefits on the day they are due. In addition, the agency plans other initiatives that are intended to incrementally improve retirement claims processing.

GAO has previously reported that its experience at other agencies has demonstrated that successfully overcoming challenges, such as those that have plagued OPM's past efforts, can best be achieved when critical success factors are applied. Nine common factors critical to the success of IT acquisitions are

- Active engagement of senior officials with stakeholders.
- Qualified and experienced program staff.
- Support of senior department and agency executives.
- Involvement of end users and stakeholders in the development of requirements.
- Participation of end users in testing system functionality prior to formal end user acceptance testing.
- Consistency and stability of government and contractor staff.
- Prioritization of requirements by program staff.
- Regular communication maintained between program officials and the prime contractor.
- Sufficient funding.

These critical success factors can serve as a model of best practices that OPM could apply to enhance the likelihood that the incremental IT investments the agency now plans, including the acquisition of a new case management system, will be successfully achieved.

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Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee:

I am pleased to be here today to comment on the Office of Personnel Management's (OPM) efforts toward modernizing federal employee retirement claims processing. The use of information technology (IT) is integral to carrying out this very important responsibility. However, OPM's efforts over two decades to modernize the retirement process have been fraught with IT management challenges and have not achieved the desired capabilities.

The agency has reported an IT investment of approximately \$96 million in fiscal year 2014 and has indicated its intent to further invest in capabilities to improve the retirement claims processing system. Effectively applying IT acquisition best practices can help agencies better ensure successful outcomes from their investment efforts.

As agreed with your staff, my testimony today summarizes findings from reports that we have previously issued on the challenges that OPM has faced in managing its retirement modernization efforts.<sup>1</sup> It also speaks to the agency's current plans to acquire new technology to improve the retirement process, as well as key IT acquisition best practices that could serve as critical factors in the agency's successful accomplishment of its latest modernization projects.<sup>2</sup>

The information in my testimony is primarily based on our previous work at OPM. We also reviewed the agency's plans and related information discussing its recent efforts to improve retirement processing services. In addition, we considered our prior report that discussed critical success

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<sup>1</sup>GAO, *Office of Personnel Management: Retirement Modernization Planning and Management Shortcomings Need to Be Addressed*, GAO-09-529 (Washington, D.C.: Apr. 21, 2009); *Office of Personnel Management: Improvements Needed to Ensure Successful Retirement Systems Modernization*, GAO-08-345 (Washington, D.C.: Jan. 31, 2008); *Comments on the Office of Personnel Management's February 20, 2008 Report to Congress Regarding the Retirement Systems Modernization*, GAO-08-576R (Washington, D.C.: Mar. 28, 2008); and *Office of Personnel Management: Retirement Systems Modernization Program Faces Numerous Challenges*, GAO-05-237 (Washington, D.C.: Feb. 28, 2005).

<sup>2</sup>GAO, *Information Technology: Critical Factors Underlying Successful Major Acquisitions*, GAO-12-7 (Washington, D.C.: Oct. 21, 2011).

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factors of major IT acquisitions.<sup>3</sup> We performed our work in support of this testimony during November and December 2014. All work on which this testimony is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

As the central human resources agency for the federal government, OPM is tasked with ensuring that the government has an effective civilian workforce. In carrying out its mission, the agency delivers human resources products and services, including policies and procedures for recruiting and hiring, provides health and training benefit programs; and administers the retirement program for federal employees. The agency reports that approximately 2.7 million active federal employees and nearly 2.5 million retired federal employees rely on its services.<sup>4</sup>

According to OPM, the retirement program serves current and former federal employees by providing tools and options for retirement planning and retirement compensation. Two defined-benefit retirement plans that provide retirement, disability, and survivor benefits to federal employees are administered by the agency: (1) the Civil Service Retirement System (CSRS), which provides retirement benefits for most federal employees hired before 1984 and (2) the Federal Employees Retirement System (FERS), which covers most employees hired in or after 1984 and provides benefits that include Social Security and a defined contribution system.<sup>5</sup>

Retirement processing includes functions such as determining retirement eligibility, inputting data into benefit calculators, and providing customer

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<sup>3</sup>GAO-12-7.

<sup>4</sup>OPM, *Fiscal Year 2012 Annual Performance Report* (February 2013).

<sup>5</sup>The Social Security Administration is responsible for administering Social Security, and the Federal Retirement Thrift Investment Board administers the defined-contribution system known as the Thrift Savings Plan. Defined-benefit plans calculate benefit amounts in advance of retirement based on factors such as salary level and years of service, and defined-contribution plans calculate benefit amounts based on how the amount is invested by the employee and employer.

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service. The agency uses over 500 different procedures, laws, and regulations, which are documented on the agency's internal website, to process retirement applications. For example, the site contains memorandums that outline new procedures for handling special retirement applications, such as those for disability or court orders. Further, OPM's retirement processing involves the use of over 80 information systems that have approximately 400 interfaces with other internal and external systems.

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**OPM Has a Long History of Unsuccessful Efforts to Modernize Retirement Processing**

Recognizing the need to improve the efficiency and effectiveness of its retirement claims processing, OPM has undertaken a number of initiatives since 1987 that were aimed at modernizing its paper-intensive processes and antiquated systems. Initial modernization visions called for developing an integrated system and automated processes to provide prompt and complete benefit payments. However, following attempts over more than two decades, the agency has not yet been successful in achieving the modernized retirement system that it envisioned.

In early 1987, OPM began a program called the FERS Automated Processing System. However, after 8 years of planning, the agency decided to reevaluate the program, and the Office of Management and Budget requested an independent review of the program, which identified various management weaknesses. The independent review suggested areas for improvement and recommended terminating the program if immediate action was not taken. In mid-1996, OPM terminated the program.

In 1997, OPM began planning a second modernization initiative, called the Retirement Systems Modernization (RSM) program. The agency originally intended to structure the program as an acquisition of commercially available hardware and software that would be modified in-house to meet its needs. From 1997 to 2001, OPM developed plans and analyses and began developing business and security requirements for the program. However, in June 2001, it decided to change the direction of the retirement modernization initiative.

In late 2001, retaining the name RSM, the agency embarked upon its third initiative to modernize the retirement process and examined the possibility of privately sourced technologies and tools. Toward this end, the agency determined that contracting was a viable alternative and, in 2006, awarded three contracts for the automation of retirement

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processing, the conversion of paper records to electronic files, and consulting services to redesign its retirement operations.

In February 2008, OPM renamed the program RetireEZ and deployed an automated retirement processing system. However, by May 2008 the agency determined that the system was not working as expected and suspended system operation. In October 2008, after 5 months of attempting to address quality issues, the agency terminated the contract for the system. In November 2008, OPM began restructuring the program and reported that its efforts to modernize retirement processing would continue. However, after several years of trying to revitalize the program, the agency terminated the retirement system modernization in February 2011.

In mid-January 2012, OPM released a plan to undertake targeted, incremental improvements to retirement processing rather than a large-scale modernization, which described planned actions in four areas:

- hiring and training 56 new staff to adjudicate retirement claims and 20 additional staff to support the claims process;
- establishing higher production standards and identifying potential retirement process improvements;
- working with other agencies to improve the accuracy and completeness of the data they provide to OPM for use in retirement processing; and
- improving the department's IT by pursuing a long-term data flow strategy, exploring short-term strategies to leverage work performed by other agencies, and reviewing and upgrading systems used by retirement services.<sup>6</sup>

Through implementing these actions, OPM said that it aimed to eliminate the agency's retirement processing backlog and accurately process 90 percent of its cases within 60 days by July 31, 2013. While its Fiscal Year 2013 Summary of Performance and Financial Information indicated that the agency was on track to eliminate the backlog, the agency nonetheless

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<sup>6</sup>OPM, *Strategic Plan for Retirement Services* (Jan. 17, 2012).

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reported that two factors beyond its control prevented achieving the goal.<sup>7</sup> First, Voluntary Early Retirement Authority and a Voluntary Separation Incentive Program offered by the U.S. Postal Service increased OPM's retirement processing workload by over 20,000 cases. Second, funding reductions due to sequestration required the agency to curtail overtime work on retirement processing in April 2013.

In March 2014, OPM again articulated a retirement claims processing improvement goal as part of its Fiscal Year 2014-2015 Agency Priority Goals strategy. Specifically, the agency reiterated the goal to process 90 percent of retirement cases within 60 days, but extended the date for doing so to July 2014. However, OPM did not achieve this goal, reporting that 77.9 percent of cases were processed within 60 days in July 2014. Further, in October 2014, the most recent month for which the agency has reported, 83.2 percent of cases were processed within 60 days.

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#### OPM's Efforts to Modernize Retirement Processing Have Been Plagued by IT Management Weaknesses

Our prior reports noted that OPM's efforts to modernize its retirement system were hindered by weaknesses in key IT management disciplines. For example, in reporting on RSM in February 2005, we noted weaknesses in project management, risk management, and organizational change management.<sup>8</sup>

- Project management is the process for planning and managing all project-related activities, including defining how project components are interrelated. Effective project management allows the performance, cost, and schedule of the overall project to be measured and controlled in comparison to planned objectives. Although OPM had defined major retirement modernization project components, it had not defined the dependencies among them. Specifically, by not identifying critical dependencies among project components, OPM increased the risk that unforeseen delays in one activity could hinder progress in other activities.
- Risk management entails identifying potential problems before they occur. Risks should be identified as early as possible, analyzed, mitigated, and tracked to closure. OPM officials acknowledged that

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<sup>7</sup>OPM, *Summary of Performance and Financial Information: Fiscal Year 2013* (March 31, 2014).

<sup>8</sup>GAO-05-237.

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they did not have a process for identifying and tracking retirement modernization project risks and mitigation strategies on a regular basis but stated that the agency's project management consultant would assist it in implementing a risk management process. Lacking such a process, OPM did not have a mechanism to address potential problems that could adversely impact the cost, schedule, and quality of the retirement modernization project.

- Organizational change management includes preparing users for the changes to how their work will be performed as a result of a new system implementation. Effective organizational change management includes plans to prepare users for impacts the new system might have on their roles and responsibilities, and a process to manage those changes. However, OPM officials had not developed a detailed plan to help users transition to different job responsibilities. Without having and implementing such a plan, effective implementation of new systems could be hindered by confusion about user roles and responsibilities.

We recommended that the Director of OPM ensure that the retirement modernization program office expeditiously establish processes for effective project management, risk management, and organizational change management. In response, the agency initiated steps toward establishing management processes for retirement modernization and demonstrated activities to address our recommendations.

We reported again on OPM's retirement modernization in January 2008, as the agency was about to deploy a new automated retirement processing system.<sup>9</sup> We noted weaknesses in additional key management capabilities, including system testing, cost estimating, and progress reporting.

- Effective testing is an essential activity of any project that includes system development. At the time of our review, test results showed that the new system had not performed as intended. Although the agency planned to perform additional tests to verify that the system would work as intended, the schedule for conducting these tests became compressed, with several tests to be performed concurrently rather than sequentially. The agency stated that a lack of testing

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<sup>9</sup>GAO-08-345.



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resources and the need for further system development, contributed to the delay of planned tests and the need for concurrent testing. The high degree of concurrent testing that OPM planned to meet its February 2008 deployment schedule increased the risk that the agency would not have the resources or time to verify that the planned system worked as expected.

- Cost estimating is the identification of individual project cost elements, using established methods and valid data to estimate future costs. Establishing a reliable cost estimate is important for developing a project budget and having a sound basis for measuring performance, including comparing the actual and planned costs of project activities. Although OPM developed a retirement modernization cost estimate, it was not supported by the documentation that is fundamental to a reliable cost estimate. Without a reliable cost estimate, OPM lacked a sound basis for formulating retirement modernization budgets or for developing the cost baseline that is necessary for measuring and predicting project performance.
- Earned value management (EVM) is a tool for measuring program progress by comparing the value of work accomplished with the amount of work expected to be accomplished. Fundamental to reliable EVM is the development of a baseline against which variances are calculated. OPM used EVM to measure and report monthly performance of the retirement modernization system. The reported results indicated that the project was progressing almost exactly as planned. However, this view of project performance was not reliable because the baseline on which it was based did not reflect the full scope of the project, had not been validated, and was unstable (i.e., subject to frequent changes). This EVM approach in effect ensured that material variances from planned performance would not be identified and that the state of the project would not be reliably reported.

We recommended that the Director of OPM conduct effective system tests prior to system deployment and improve program cost estimation and progress reporting. OPM stated that it concurred with our recommendations and would take steps to address the weakness we identified. Nevertheless, OPM deployed a limited initial version of the modernized retirement system in February 2008. After unsuccessful efforts to address system quality issues, the agency suspended system operation, terminated the system contract, and began restructuring the modernization effort.

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In April 2009, we again reported on OPM's retirement modernization, noting that the agency still remained far from achieving the modernized retirement processing capabilities that it had planned.<sup>10</sup> Specifically, we noted that significant weaknesses continued to exist in the areas of cost estimating, progress reporting, and testing, while also noting two additional weaknesses related to planning and oversight.

- Although it concurred with our January 2008 recommendation to develop a revised cost estimate for the retirement modernization effort, OPM had not completed initial steps for developing the new estimate by the time we issued our report in April 2009. We reported that the agency had not yet fully defined the estimate's purpose, developed an estimating plan, or defined the project's characteristics. By not completing these steps, OPM increased the risk that it would produce an unreliable estimate and not have a sound basis for measuring project performance and formulating retirement modernization budgets.
- OPM also concurred with our January 2008 recommendation to establish a basis for effective EVM but had not completed key steps as of the time of our report. Specifically, despite planning to use EVM to report the retirement modernization project's progress, the agency had not developed a reliable cost estimate and a validated baseline. Engaging in EVM reporting without first taking these fundamental steps could have again rendered the agency's assessments unreliable.
- As previously discussed, effective testing is an essential component of any project that includes developing systems. To be effectively managed, testing should be planned and conducted in a structured and disciplined fashion. Beginning the test planning process in the early stages of a project life cycle can reduce rework later. Early test planning in coordination with requirements development can provide major benefits. However, at the time of our April 2009 report, the agency had not begun to plan test activities in coordination with developing its requirements for the system it was planning at that time. Consequently, OPM increased the risk that it would again deploy a system that did not satisfy user expectations and meet requirements.

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<sup>10</sup>GAO-09-529.

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- Project management principles and effective practices emphasize the importance of having a plan that, among other things, incorporates all the critical areas of system development and is to be used as a means of determining what needs to be done, by whom, and when. Although OPM had developed a variety of informal documents and briefing slides that described retirement modernization activities, the agency did not have a complete plan that described how the program would proceed in the wake of its decision to terminate the system contract. As a result, we concluded that until the agency completed such a plan and used it to guide its efforts, it would not be properly positioned to proceed with its restructured retirement modernization initiative.
  - Office of Management and Budget and GAO guidance<sup>11</sup> call for agencies to ensure effective oversight of IT projects throughout all life-cycle phases. Critical to effective oversight are investment management boards made up of key executives who regularly track the progress of IT projects such as system acquisitions or modernizations. OPM's Investment Review Board was established to ensure that major investments are on track by reviewing their progress and identifying appropriate actions when investments encounter challenges. Despite meeting regularly and receiving information that indicated problems with the retirement modernization, the board did not ensure that retirement modernization investments were on track, nor did it determine appropriate actions for course correction when needed. For example, from January 2007 to August 2008, the board met and was presented with reports that described problems the program was facing, such as the lack of an integrated master schedule and earned value data that did not reflect the "reality or current status" of the program. However, meeting minutes indicated that no discussion or action was taken to address these problems. According to a member of the board, OPM had not established guidance regarding how the board was to communicate recommendations and needed corrective actions for investments it oversaw. Without a fully functioning oversight body, OPM lacked insight into the retirement modernization and the ability to make needed course corrections that effective boards are intended to provide.

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<sup>11</sup>GAO, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, Version 1.1, GAO-04-394G (Washington, D.C.: March 2004).

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Our April 2009 report made new recommendations calling for OPM to address the weaknesses in the retirement modernization project that we identified. Although the agency began taking steps to address them, the recommendations were overtaken by the agency's decision in February 2011 to terminate the retirement modernization project.

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### OPM Plans to Acquire New Technology to Improve Retirement Processing

OPM's *Strategic Plan for Fiscal Years 2014-2018* includes a strategic goal to "Ensure that Federal retirees receive timely, appropriate, transparent, seamless, and accurate retirement benefits." To achieve this goal, the agency has set forth a strategy to improve the retirement claims processing system by, among other things, investing in information technology solutions, such as the acquisition of a case management system. In addition, the agency's February 2014 *Strategic Information Technology Plan* articulated OPM's vision of "transitioning the retirement program to a paperless system that will truly honor a Federal employee's service by authorizing accurate retirement benefits on the day they are due, answering customers' questions in a timely manner, and promoting self-service account maintenance." The plan also reiterated the agency's intention to acquire a new case management system.

According to OPM's chief information officer (CIO), as of late-November 2014, the case management initiative is the agency's primary focus. Toward this end, the strategic plan states that OPM intends to complete documentation of its needs, evaluate available commercial solutions against those needs, and create an acquisition plan for procuring licenses and services this month. The agency then intends to develop a plan to begin implementing the chosen solution in August 2015. OPM received a fiscal year 2014 appropriation of \$2.6 million for the case management system and, according to an agency official, is expecting to receive additional funding for the system in fiscal year 2015.

Beyond acquisition of the case management system, the strategic IT plan also describes other initiatives that are intended to incrementally improve retirement claims processing. These initiatives include

- expanding and testing a retirement data repository to include data from agency human resources and payroll systems, data submitted via the online retirement application, and scanned documents;
- building a capability for the retirement calculator to pull data from the retirement data repository;

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- identifying functional requirements for deployment of a web-based retirement data viewer to additional agencies; and
  - developing requirements for a web-based electronic retirement application.

According to the plan, pursuit of these initiatives is dependent on OPM receiving additional funding.

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### Critical Factors Underlying Successful Major Acquisitions

While we have not conducted a detailed examination of OPM's plans for acquiring new technology for retirement processing, it will be important for the agency to leverage all available opportunities to ensure that its investments are carried out in the most effective manner possible, and not repeat mistakes of the past. Our experience has shown that challenges, such as those that have plagued the agency's past efforts, can successfully be overcome through using a more disciplined approach to IT acquisition management.

To help federal agencies, such as OPM, address the acquisition challenges that they face, in 2011, we reported on nine common factors critical to the success of IT acquisitions.<sup>12</sup> Specifically, we reported that department officials from seven agencies had each identified a successful investment acquisition, in that they best achieved their respective cost, schedule, scope, and performance goals.<sup>13</sup>

Among these seven IT investments, the officials identified nine factors as critical to the success of three or more of the seven. The factors most commonly identified include active engagement of stakeholders, program staff with the necessary knowledge and skills, and senior department and agency executive support for the program. These nine critical success

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<sup>12</sup>GAO-12-7.

<sup>13</sup> The seven departments and associated successful IT investments are the Department of Commerce, Decennial Response Integration System; Department of Defense, Global Combat Support System-Joint Increment 7; Department of Energy, Manufacturing Operations Management Project; Department of Homeland Security, Western Hemisphere Travel Initiative; Department of Transportation, Integrated Terminal Weather System; Department of the Treasury, Customer Account Data Engine 2; and Department of Veterans Affairs, Occupational Health Record-keeping System.

factors are consistent with leading industry practices for IT acquisitions. Table 1 shows how many of the investments reported the nine factors.<sup>14</sup>

**Table 1: Number of Selected Investments Identifying Critical Success Factors**

Critical success factor	Number of investments reporting
Program officials were actively engaged with stakeholders	7
Program staff had the necessary knowledge and skills	6
Senior department and agency executives supported the programs	6
End users and stakeholders were involved in the development of requirements	5
End users participated in testing of system functionality prior to formal end user acceptance testing	5
Government and contractor staff were consistent and stable	4
Program staff prioritized requirements	4
Program officials maintained regular communication with the prime contractor	4
Programs received sufficient funding	3

Source: GAO analysis of agency data. | GAO-15-277T

Officials for all seven selected investments cited active engagement with program stakeholders—individuals or groups (including, in some cases, end users) with an interest in the success of the acquisition—as a critical factor to the success of those investments. Agency officials stated that stakeholders, among other things, reviewed contractor proposals during the procurement process, regularly attended program management office sponsored meetings, were working members of integrated project teams,<sup>15</sup> and were notified of problems and concerns as soon as possible. In addition, officials from two investments noted that actively engaging with stakeholders created transparency and trust, and increased the support from the stakeholders.

<sup>14</sup> A more detailed discussion of the investments' identification of success factors can be found in GAO-12-7.

<sup>15</sup> OMB defines an integrated project team as a multi-disciplinary team led by a project manager responsible and accountable for planning, budgeting, procurement, and life-cycle management of the investment to achieve its cost, schedule, and performance goals. Team skills include budgetary, financial, capital planning, procurement, user, program, architecture, earned value management, security, and other staff as appropriate.

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Additionally, officials for six of the seven selected investments indicated that the knowledge and skills of the program staff were critical to the success of the program. This included knowledge of acquisitions and procurement processes, monitoring of contracts, large-scale organizational transformation, Agile software development concepts,<sup>16</sup> and areas of program management such as earned value management and technical monitoring.

Finally, officials for five of the seven selected investments identified having the end users test and validate the system components prior to formal end user acceptance testing for deployment as critical to the success of their program. Similar to this factor, leading guidance recommends testing selected products and product components throughout the program life cycle.<sup>17</sup> Testing of functionality by end users prior to acceptance demonstrates, earlier rather than later in the program life cycle, that the functionality will fulfill its intended use. If problems are found during this testing, programs are typically positioned to make changes that are less costly and disruptive than ones made later in the life cycle would be.

Use of the critical success factors described above can serve as a model of best practices for all agencies as they plan and conduct their own IT acquisitions. With specific regard to OPM, application of these acquisition best practices presents opportunities for the agency to undertake a more disciplined and, thus effective, management approach, as well as increase the likelihood that its planned IT investments to improve retirement processing will meet their cost, schedule, scope, and performance goals.

In summary, despite OPM's longstanding recognition of the need to improve the timeliness and accuracy of retirement processing, the agency has thus far been unsuccessful in several attempts to develop the

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<sup>16</sup> Agile software development is not a set of tools or a single methodology, but a philosophy based on selected values, such as prioritizing customer satisfaction through early and continuous delivery of valuable software; delivering working software frequently, from every couple of weeks to every couple of months; and making working software the primary measure of progress. For more information on Agile software development, see <http://www.agilealliance.org>.

<sup>17</sup> See, for example, Carnegie Mellon Software Engineering Institute, *Capability Maturity Model® Integration for Acquisition (CMMI-ACQ)*, Version 1.3 (November 2010).

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capabilities it has long sought. For over two decades, the agency's retirement modernization efforts were plagued by weaknesses in management capabilities that are critical to the success of such endeavors. Applying the information technology best practices we have identified to OPM's acquisition of a new case management system could help the agency overcome its long history of unsuccessful retirement modernization efforts.

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Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the Subcommittee may have.



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## Appendix I: Contact and Acknowledgments

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### Contacts

If you have any questions concerning this statement, please contact Valerie C. Melvin, Director, Information Management and Technology Resources Issues, at (202) 512-6304 or [melvinv@gao.gov](mailto:melvinv@gao.gov).

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### Staff Acknowledgments

Other individuals who made key contributions include Mark T. Bird, Assistant Director; Glenn Spiegel; Pavitri K. Daitnarayan; and Nancy E. Glover.

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Please Print on Recycled Paper.

Mr. FARENTHOLD. Mr. Thissen? And you are going to need to move that microphone right out in front of your mouth, as well.

Mr. THISSEN. OK. Is this good?

Mr. FARENTHOLD. Perfect.

#### **STATEMENT OF RICHARD G. THISSEN**

Mr. THISSEN. Good afternoon, and thank you for inviting me to testify.

Over the last several years, Congress recognized there were issues with the processing of Federal retirement claims and held hearings drawing attention to the problem. As president of the association representing those directly affected, I thank the committee for continuing to address this issue.

OPM developed a strategic plan to improve retirement claims processing, implemented the plan as intended, and it has worked. The inventory of pending retirement claims is now roughly 14,000, which is in line with projections. OPM set a goal of processing 90 percent of the claims within 60 days. At 83 percent in November, OPM is not meeting that goal but is coming close. However, 200 claims are over 180 days old. While this number is decreasing, over 6 months is too long.

In advance of this hearing, we asked NARFE members for feedback on their experience with the retirement claims procedure, specifically from those who retired within the last 2 years. Contrary to the avalanche of complaints we heard 3 years ago, the responses from hundreds of NARFE members were overwhelmingly positive. Nearly 75 percent of the responses we received were favorable and praised the customer service they received from OPM.

In most cases, they received their full annuity check—they reported their full annuity check came 3 to 4 months following their separation from service. A large number of those who reported quick processing noted they received timely information and assistance from their agencies. Proper due diligence on the part of the employee prior to retiring, such as attendance at preretirement seminars, also contributed.

Unfortunately, the responses we received from members who were not satisfied indicated their claims had been in the process anywhere from 6 months to more than 2 years. These individuals, not surprisingly, are very unhappy and tell lengthy stories critical of OPM.

While OPM reports that the average call wait time is 10 minutes, NARFE members still report higher wait times and an inability to get through altogether.

Overall, things have greatly improved, but there is still room for further improvement.

While OPM bears the responsibility for processing the claims, a Federal employee's transition into retirement starts with the employing agency. Unfortunately, the governmentwide error rates for retirement submissions remain unacceptable. Although publishing the results has led to pressure on agencies to improve, there was no significant improvement from 2012 to 2014. Agencies should be performing better. Reducing the error rate would improve processing at OPM, especially as it bears the brunt of retirees' frustration with delayed claims.

OPM must work to enter the electronic age and eventually end the process of paper records being physically driven up and down the east coast. We realize this is no easy feat. The process of transitioning into retirement varies too widely among employing agencies. A standardized process and use of electronic records would go far in ensuring the backlog will become a distant memory. OPM's IT strategic plan aims to do just that.

While incremental process on these initiatives is being made, the timeline for completion and how OPM plans to be held accountable for keeping on schedule is unclear. It is also unclear how funding for these new initiatives will be obtained, particularly during these days of sequestration.

In Fiscal Year 2014, OPM received \$2.6 million intended to be directed toward modernizing the retirement processing system. This money came directly from the Civil Servant Retirement and Disability Trust Fund, money that Federal employees have contributed their entire careers in return for retirement stability. These funds should not be used lightly or taken for granted. It is unclear how this money was spent, and, as such, OPM should provide additional details regarding this plan.

In the future and consistent with past practice, we urge that financing for IT modernization come from the general fund and not the trust fund. We strongly support efforts by OPM to modernize its retirement services to improve efficiency and better serve the Federal retirees. However, we remain skeptical of drawing additional resources from the trust fund simply because Congress is unwilling to provide adequate financing.

Thank you again for providing me the opportunity to share NARFE's views. I am happy to answer any questions you may have.

Mr. FARENTHOLD. Thank you very much.

[prepared Statement of Mr. Thissen follows:]

Chairman Farenthold, Ranking Member Lynch, and Members of the House Oversight and Government Reform Subcommittee on Federal Workforce, U.S. Postal Service & the Census, on behalf of the nearly five million federal workers and annuitants represented by the National Active and Retired Federal Employees Association (NARFE), I appreciate the opportunity to express NARFE's views regarding the processing of federal retirement annuity claims.

While I retired from civil service nearly 20 years ago, in my role as a Career Program Manager with the Army, I provided advice to civilian employees in the Army Career Program. I stressed that upkeep of professional and financial records would be necessary for a smooth retirement. Many of the employees I managed moved around the world throughout their careers to support both combat and peacekeeping missions. Essentially, I served as their ongoing human resources officer, offering advice and guiding them through the retirement process.

Over the last three years, both this Subcommittee and its Senate counterpart have recognized the problems associated with the processing of federal retirement annuity claims by agencies and the Office of Personnel Management (OPM), and held several public hearings drawing attention to the issue. As the president of the Association representing those directly affected by these problems, I would like to extend our thanks to the Subcommittee for continuing to highlight this issue. NARFE further appreciates this follow-up to ensure progress is being made.

In February 2012, NARFE appeared before the Senate Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia. At that time, we testified that our office was receiving hundreds of calls from our members complaining that their interim annuity payments were too low, that they were waiting too long to receive their full annuity payments, and that they were unable to communicate with OPM to check the status of their claims. Some had understandably complicated claims that took longer than the average to settle – they may have worked for several federal agencies, had a break in service, or had both military and civilian service. However, even in instances of fully complete claims with few or no errors, wait times were far too long. It would be an understatement to say the delays were a major problem. Our members were struggling.

It was not uncommon for NARFE staff to hear tales of interim payments being as low as 40 percent of a retiree's full annuity and claims taking more than a year to process. Contrary to the belief of some members of Congress, federal employees do not receive exorbitant salaries or have vast savings that render annuity delays inconsequential. These delays had real, substantial impacts on federal retirees, many of whom rely on their modest government pension as their sole source of income. NARFE members reported extreme concern over being able to pay their bills, including their mortgages.

To their credit, officials at OPM acknowledged what our members were experiencing, stating, "[f]ederal employees face unacceptable delays in receiving retirement benefits after years of honorable service to the nation."<sup>1</sup> In January 2012, there was a backlog of 61,108 claims, and the

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<sup>1</sup> *Strategic Plan for Retirement Services*, Office of Personnel Management, January 17, 2012

average time to process an annuity claim exceeded five months. Many claims, however, took far longer to process.

It was in this context, coupled with pressure from Congress and organizations representing the interests of employees and retirees, that OPM developed a Strategic Plan to improve the processing of retirement benefit claims. The agency released the plan in January 2012, and promised to do better. Almost three years later, and to its credit, the results show that it has.

Yet, despite the improvements in claims processing, the system remains paper-based, and more costly and time-consuming than modern technologies should allow. OPM unveiled an Information Technology (IT) improvements plan in February 2014 to address this issue. NARFE supports its efforts in this regard, but would like to see a clearer timeline with more detailed benchmarks to measure progress and results.

#### **A Look Back**

NARFE appeared before this Subcommittee in May of last year to assess implementation of OPM's Strategic Plan. Let us give credit where credit is due. OPM laid out a strategic plan that predicted improvements in claims processing through additional staff, longer call center hours, the use of overtime and better communication with agency human resource offices. OPM implemented the plan as intended and it has worked to reduce the inventory of claims.

OPM hired more staff and effectively utilized overtime to handle retirement processing, including rehiring some recent retirees who had the experience to process claims quickly. This speaks to the invaluable services reemployed annuitants can offer, as frequently maintained by NARFE. We appreciate the fact that Congress recognized this as well, having recently extended dual compensation waiver authority to agencies for another five years as part of the FY15 National Defense Authorization Act.

OPM also implemented process improvements to increase the efficiency of staff already in-house. These efforts included employing Lean Six Sigma principles and holding employees to higher standards overall.

At the time of the May 2013 hearing, OPM had been outpacing its projections for claims processing every month, and the inventory of claims had dropped from 61,108 in January 2012 to 30,080 in April 2013. Although this total was slightly behind OPM's schedule, this was due to two primary factors outside of its control. First, an unanticipated and abnormal spike in retirements occurred during February and March of 2013, in large part due to roughly 20,000 buy-outs and early retirements from the United States Postal Service. Second, reduced funding caused by sequestration prevented OPM from utilizing the overtime hours that had helped the agency achieve much of its progress in reducing the backlog. Absent these two factors, OPM likely would have reached its goal to reduce the claims inventory to roughly 13,000 by July 2013.

Nonetheless, OPM was able to reinstitute overtime in August 2013 and get back on track, bringing the inventory of claims below 13,000 in December 2013, and keeping it in line with projected (and manageable) inventories. Today, the current inventory of pending claims is 14,039.

#### **Where Are We Now?**

Thanks in large part to the efforts laid out in the Strategic Plan, we have noticed a considerable decline in complaints from NARFE members. We believe the decline indicates OPM is doing a much better job of answering customer calls regarding the status of their claims, and utilizing an online system to provide individual status updates regarding claims processing.

For the first eleven months of 2014, claims received outpaced projected claims in six of those months. In all but four of those months, OPM exceeded its number of claims processed compared to projected claims processed. The current inventory of cases sits at 14,039.

In May 2014, OPM began tracking the number of cases processed within 60 days, with a goal of processing 90 percent of cases within that time frame. At 83.4 percent in November, OPM is not meeting that goal but is coming close. Out of the 14,039 in the queue in November, 12,460 (88.8 percent) were 1-60 days old, 768 (5.5 percent) were 61-90 days old, 611 (4.4 percent) were 91-180 days old, and 200 (1.4 percent) were over 180 days old.

#### **NARFE Member Experiences**

When NARFE was made aware of this hearing, we sent an email to all NARFE members asking for feedback on their experience with the retirement claims processing procedure. We specifically asked for feedback from those who retired within the last two years. The feedback we received was overwhelming.

Contrary to the avalanche of complaints we heard three years ago, the responses from NARFE members were overwhelmingly positive. In fact, nearly 75 percent of the responses we received were, at a minimum, satisfied with their experiences with OPM during this process. Many others had nothing but praise for the customer service they received and the timeliness of responses from OPM staff. In most cases, they reported, their full annuity check came three to four months following their separation from service. Additionally, a large number of those who reported quick processing of their claims noted they received timely information and assistance from their employing agencies. We also heard that proper due diligence on the part of the employee prior to retiring, such as attending pre-retirement seminars, went a long way.

Unfortunately, the responses we received from members who were not satisfied indicated their claims have been in the process anywhere from six months to more than two years. These individuals, not surprisingly, are very unhappy and tell lengthy stories critical of OPM and the service they have received. Most reported people problems, not system problems. While these cases provided evidence of incompetence, those instances now seem to be the exception rather than the rule. Nonetheless, as we previously mentioned, 611 cases (4.4 percent) are 91-180 days



old, and 200 cases (1.4 percent) are over 180 days old. OPM should explain to this committee and to its customers why there are still cases over six months old.

Some of those who retired prior to 2014 who reported problems had very complicated work histories – employment at multiple agencies, military service, subject to the Government Pension Offset, court orders and more. Given OPM's reliance on the employing agencies for accurate information, it is not surprising these types of cases would take longer to process.

There is one issue in particular that was brought to our attention that we believe is worth exploring. In 2009, Congress changed a longstanding law allowing federal employees in Alaska, Hawaii and the U.S. Territories to transition from receiving an annual cost-of-living adjustment (COLA) to receiving locality pay. The conversion was intended to extend over a period of three years. We are hearing that those who retired before 2014 are experiencing extreme delays in receiving their annuity checks. One NARFE member in Alaska who retired in April 2012, after 43 years of federal service, is still not receiving his full annuity check. While these circumstances are admittedly complicated, a two-year wait for a full annuity is unacceptable. We can only hope this is not happening to every retiree in Alaska, Hawaii and the Territories who separated between 2010 and 2014.

Anecdotally, OPM's customer service appears to have greatly improved. For many NARFE members, a 30-minute wait on the phone is acceptable if the person on the other end listens, understands their concerns, and provides useful information on next steps in a polite and competent manner. In 2011 and 2012, NARFE received numerous complaints of rude customer service agents and incomplete answers to questions. We still hear those complaints, but far less frequently. There is still room for improvement.

While OPM reports that the average wait is now 10 minutes, NARFE members still consistently report higher wait times and difficulty reaching a customer service representative. We also continue to receive reports from members who are unable to get through altogether.

#### **Efforts by Employing Agencies**

While OPM bears responsibility for processing the claims, a federal employee's transition to a rewarding retirement does not start with claims processing. It starts with the individual's employing agency.

In looking at the Agency Monthly Audit reports OPM makes public on its website, the government-wide error rates for retirement submissions are in double-digit percentages (11 percent for November). The U.S. Postal Service is the only big agency that has consistently shown single-digit error percentages in its retirement application submissions to OPM. Error rates as high as 30 percent occur despite efforts over the last two years by OPM to provide guidance and tools to employing agency personnel offices on submitting "healthy" retirement packages.

Although publishing results has led to public pressure on agencies to improve, there does not seem to be significant improvement overall in error rates from 2012 to 2014. After two years, agencies should be performing better. A seemingly easily obtainable goal of a 10 percent error rate would likely go a long way toward improving processing at OPM. Both the short-term goal of holding agencies more accountable and the long-term goal of automating the entire process should be a priority for OPM, especially as it bears the brunt of retirees' frustration with delayed annuity claims.

These high error rates remain unacceptable. They affect the financial security of retirees and they cost additional time and money to both employing agencies and OPM. In the near term, pre-retirement counseling for all employees is essential to reducing errors. In the long run, the successful completion of OPM's IT initiatives, in particular government-wide electronic retirement records, along with the maintenance of the retirement data repository, will be essential.

What we said at the hearing last May bears repeating: While progress has been made, there needs to be more communication with employing agencies to ensure retirement packages reaching OPM are as complete as possible. The employing agency checklist was a good step, as was publicly publishing results, but we believe agencies should be held accountable for incomplete packages. Where possible, agencies should be providing their human resources staff with additional training, particularly those agencies that are failing to meet expectations. Similarly, agency human resources staff is often unaware of an employee's intention to retire until the employee has started the process. It would serve employing agencies well to maintain a calendar of employee retirement-eligibility, so that HR professionals can guide individuals through the process before it even starts.

More than a year ago, OPM provided NARFE with a copy of its employee retirement checklist, which we ran as the cover story in *narfe* magazine – a publication with wide distribution among the federal community. That effort has yielded accolades from recipients, and NARFE is more than willing to do what we can to help OPM and the people it serves. We encourage OPM to continue to utilize NARFE and the other federal employee groups to help distribute checklists widely and often.

As suggested by the Government Managers Coalition and supported by NARFE, the retirement information process should start when an employee first joins the civil service. As part of the onboarding process, employees should be made aware that they should keep records of standard forms, transfers between agencies and personnel actions that will eventually affect their retirement annuities. In addition, as employees near retirement eligibility, they should be provided with fact sheets with a list of common errors and more complex issues. Once an employee declares his/her intention to retire, agencies should ensure that s/he receives the standardized checklist, a list of common problems that can delay processing, an FAQ (contact numbers, information on what to expect, etc.) and a list of forms that may need to be updated (beneficiaries, life insurance). It also should be made clear to an employee that the retirement process takes time, especially if their career included multiple federal agencies, since most

employee records are in paper form. The employee should also follow up with his/her employing agency to ensure the request to receive those records has been made.

In short, more needs to be done on the part of employing agencies to ensure retirees' claims are processed in a timely manner.

#### **OPM's IT Strategic Plan and the Future of Retirement Processing**

OPM must continue to work to enter the electronic age and eventually end the process of paper records being physically driven up and down the east coast. We realize this is no easy feat and requires a collaborative effort with employing agencies, not to mention the unenviable task of obtaining funding from Congress. The process of transitioning into retirement varies too widely among employing agencies. A standardized process and use of electronic records and processing would go far in ensuring a backlog of the magnitude we have seen will become and remain a distant memory.

Currently, OPM is taking an incremental approach to automating its retirement processing. Given the setbacks OPM has had in the past with electronic processing, NARFE supports this methodical approach.

OPM's IT Strategic Plan, unveiled in February 2014, includes a multifaceted approach to reaching the goal of electronic records and processing. The more you understand all the necessary steps, the more daunting a task you realize it is. But that is all the more reason to require continual and measurable progress.

The IT plan includes five major initiatives:

- Electronic Retirement Record (ERR)
- Retirement Data Repository (RDR)
- Data Bridge
- Online Retirement Application
- Case Management System

While it appears incremental progress on these initiatives is being made, it is unclear what the timeline is for completion and how OPM plans to be held accountable for keeping on schedule, with successful results.

Particularly in contrast to the detailed and regimented plan to reduce the backlog, the plan to modernize IT seems vague, distant and uncertain. While there is more complexity in the task of modernizing the IT system, the process calls for an even more in-depth and focused plan to meet the enormity of the task. We hope OPM is tackling this challenge with the same determination and purpose with which it continues to tackle the claims backlog.

However, to do so, OPM may need the help of Congress. Currently, it is unclear how funding for these new initiatives will be obtained, particularly during these days of budget caps and sequestration. In fiscal year 2014, the Obama administration requested and received \$2.6 million

in Trust Fund No-Year Authority, intended to be directed towards modernizing the retirement processing system.<sup>2</sup> Specifically, the Congressional Budget Justification states that OPM's Retirement Services "plans to implement a case management system for centralized storage processing of all retirement and related benefits claims."

This is money that comes directly from the Civil Service Retirement and Disability Trust Fund (CSRDF); money that federal employees have contributed their entire career in return for retirement stability. These funds should not be used lightly or taken for granted.

It is unclear to us how this money was spent, and as such, OPM should provide additional details to members of Congress, as well as federal employee and retiree representatives, regarding this plan. As currently described, it is difficult to ascertain what this proposal entails. Presumably, we are here today to discuss these concerns and receive answers to these questions.

In the future, and consistent with past practice, we urge that financing for information technology modernization should come from the general fund rather than the Trust Fund. We strongly support efforts by OPM to modernize its retirement services to improve efficiency and better serve federal retirees. However, we are skeptical of drawing down additional precious resources from the retirement trust fund as an alternative source of funding simply because Congress is unwilling to provide adequate financing to complete this necessary task.

### **Conclusion**

In January 2012, there were major problems with federal retirement annuity claims processing, but remarkable improvements have been made over the past two years. We commend former OPM Director John Berry and current Director Katherine Archuleta, as well as Associate Director of Retirement Services Ken Zawodny, for their leadership in recognizing and tackling the problem head on, as well as the hard work of the employees at OPM in reducing the backlog of claims.

There is still more work to do to modernize the system. Retirement claims processing remains buried (literally and figuratively) in a cave in rural Pennsylvania, as if still in the Stone Age. While we continue to support a multistep and incremental approach in order to avoid the errors of previous attempts, it is past time to implement the necessary IT improvements to bring the retirement process into the 21<sup>st</sup> century. The United States government is a world class entity, and for the employees who make it run, achieving a world-class, modern retirement system to provide them with deserved security in retirement is critical.

Thank you, again, for inviting me to testify and for giving me the opportunity to share NARFE's views.

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<sup>2</sup> *Congressional Budget Justification, Performance Budget, Fiscal Year 2014, Office of Personnel Management (CBJ Submission April 2013).*

Mr. FARENTHOLD. And we will get under way with questions. I appreciate everybody staying within their time limit.

Mr. Zawodny, at our last hearing, you said that by July 2013 OPM would have been able to process 90 percent of its cases within 60 days. You are moving in the right direction, but we are still short of the goal, with 83.4 percent of new retirement claims now processed in 60 days.

Why haven't we gotten to where we need to be?

Mr. ZAWODNY. Well, thank you, Mr. Farenthold.

The truth of the matter is that we have made great progress in reducing that inventory down to a manageable level. And while that near 84 percent of the cases are being done in under 60 days and that average time of being completed is roughly 36 days, there are still some older cases that we are trying to work through.

The one thing that we did not quite understand when we had those 60,000 cases that Mr. Lynch mentioned was the complexity of some of those cases that would be processed. As we have gotten our inventory down to a manageable steady State, we now understand more the complexity of the cases and what is needed with regard to missing information, such as service credit or pay information, that is needed to finalize the case.

And as we have worked better to understand that, we are able to drive up the amount of cases that we process in under 60 days, and we'll continue to do so.

Mr. FARENTHOLD. Well, we've got an issue, though, with the number of workers eligible to retire. It suggests a potential for an upswing in pending claims in the coming years. How are you all preparing for this challenge?

Mr. ZAWODNY. Just as we've prepared for all the other challenges regarding processing retirement. We continue to replace individuals who have retired or left the agency. We've cross-trained individuals to ensure that they understand different disciplines of the work to be conducted so that when we have a surge in one area we can move additional resources in there to try to drive that workload down.

The other thing that we do is work closely with the agencies to try to improve their processing of the cases on their end, to educate employees better on their retirement applications so that when they come to us they can be fully worked as quickly as possible.

Mr. FARENTHOLD. All right.

Then, also, while there has been some progress—and I applaud that—some Federal workers continue to wait 6 months or longer for their pensions. OPM's backlog of pending disability, retirement, and lump-sum death benefit determinations is also of concern.

It is my understanding you all have 29 staff assigned to lump-sum benefit claims and 66 assigned to disability. Is this enough?

Mr. ZAWODNY. The lump-sum payments are averaging about 140 days.

But we need to understand exactly what that lump-sum payment represents. It represents the amount of days that the annuitant survived in a particular month. For instance, if the annuitant passed away on the 5th of the month, they are entitled to 5 days of pay for that month.

Mr. FARENTHOLD. Right.

Mr. ZAWODNY. The lump sum represents that 5 days of pay.

When we get notified of the death of an annuitant, we immediately process the application for the death insurance payment, as well as getting the survivors into survivor pay so that they can continue their monthly payment as allotted by the survivor benefits.

The final thing we do is solidify and finalize the lump-sum payment, which sometimes can be very little or up to a month's worth of pay.

We continue to work in that area, and that goes back to some of the cross-training that we have done to move resources into those areas that need to be put higher attention to.

Mr. FARENTHOLD. Great.

Let me go to Ms. Seymour.

You are kind of the tech expert here, I guess. We're moving toward a paperless system. And, you know, there's a distinction between less paper and no paper at all, being paperless. Is a true paperless system doable, where you're almost entirely electronic? And would it help?

Ms. SEYMOUR. Anytime that we can eliminate paper, it helps move the process faster and makes the process more accurate. We are working with the retirement services business unit to understand where we can eliminate paper and in compliance with the rules and regulations that they use for processing retirement.

There are some opportunities and there will be some challenges as we move through that process. So we want to make sure that we have targeted the opportunities first that we can eliminate paper soonest in that process.

Mr. FARENTHOLD. And I would assume you're taking an approach to this—obviously, you're going to have the exceptional cases where somebody has bounced around to a dozen Federal agencies over their career. But a veteran who goes to work for the Postal Service when they come out of the service and serve there till they retire is not uncommon.

I mean, are we focusing on the easy ones first? Or are we getting bogged down trying to create a system that will handle all cases rather than, you know, starting with the easy ones and growing it?

Ms. SEYMOUR. Thank you, sir. I'm going to let Mr. Zawodny talk to his business priorities.

Mr. FARENTHOLD. OK.

Mr. ZAWODNY. In the particular case of that postal employee you mentioned, the Postal Service and other agencies that use part-time or seasonal help add a complication when it comes to the figuring of the retirement claim.

But let's say that same employee you mentioned did do service, served the country, and then came to work as a civil servant, stayed with that same agency for their entire career. That particular case could be considered a simple case.

The problem becomes, quite often, that earlier in their career is, if service credit or service time was unaccounted for or mismanaged or not properly documented, that's where that missing service comes in. So, quite often, those older cases that you mentioned earlier that might take 6 months or 9 months, those people waiting, it's near every time—

Mr. FARENTHOLD. Well, you ought to be able to get—

Mr. ZAWODNY [continuing]. We're waiting for——

Mr. FARENTHOLD. You ought to be able to come up with a business process where—you've got to have the simple ones and the hard ones. Is it not doable to——

Mr. ZAWODNY. It is.

Mr. FARENTHOLD [continuing]. Automate the simple ones first and then, you know, start growing it as you learn more?

I talked to the programmers of the Google self-driving car. They've identified tens of thousands of unique driving situations. They start with the obvious ones, and then when they encounter a new one they grow the system. Is that the approach?

Mr. ZAWODNY. That's absolutely the approach. And that's the approach that we've taken to drive the inventory down to where it is today. We've been able to segment out those less complicated cases and put teams of forces on those.

And as we move into the automation of that particular process, we'll be able to automate those cases. And those exceptions where we're missing information or data to finalize a case will have to be——

Mr. FARENTHOLD. OK. Well, I've gone way over. We'll let Mr. Lynch get his questions in, and I've got a couple more. We'll do a second round after my colleague finishes here.

Mr. LYNCH. Thanks, Mr. Chairman.

Let's just followup on the chairman's thinking there a little bit. Is there a uniformity to these cases that are more pernicious and more difficult to resolve? Are we talking about, as the chairman suggested, someone who's got multiple jurisdictions of service?

Mr. ZAWODNY. Yes, sir. There are some cases where an individual may have worked at one agency their entire career and then those individuals that have gone from agency to agency to agency.

Mr. LYNCH. Yes. So, I do want to try to get through a number of questions, but what happens to a person—I mean, are these the cases that are going on for 6 months?

Mr. THISSEN, what happens to an employee that has to wait 6 months? Are they in limbo? Are they hanging? Do they have no income if they file for their retirement and they're waiting 6 months?

Mr. THISSEN. They get a temporary payment, but——

Mr. FARENTHOLD. Your mic is not on.

Mr. THISSEN. All right. Is it on now?

Mr. FARENTHOLD. Yes.

Mr. THISSEN. OK.

They get a temporary payment. But, obviously, that's not the optimum, and it does create hardship for some of the members. It sure does.

Mr. LYNCH. Yes. OK.

Ms. Melvin, you did mention that we have, in the current system, OPM uses I believe you said 500 different procedures, laws, and regulations and 80 information systems that have I believe you said 400 different interfaces to process retirement applications.

Ms. MELVIN. It's approximately that.

Mr. LYNCH. Isn't that the root of the problem here? Is that what we're talking about?

Ms. MELVIN. Well, I think it certainly points to a complex process and a complex system that they have to try to address. And it is

part of the problem. From our standpoint, it doesn't make it impossible to address it, though.

What we are looking for, from the standpoint of what OPM does, is to have clearly defined plans and a very detailed tactical approach to addressing these kinds of complexities. We mentioned priorities. There are priorities in terms of the requirements that have to be defined and how they're going to work through developing or acquiring the particular systems and how those systems would interface.

So a number of factors that go into addressing it. Complex, yes, but not impossible.

Mr. LYNCH. Yes. Well, thank you.

It just seems to me that it doesn't need to be this difficult. And there might actually be some savings here if we move away from the paper system to one that is, you know, automated. I'm a little surprised it's taken this long.

You mentioned also in your remarks there was a lack of oversight in terms of making this transition. Who do you think should be—should we bring somebody in from the outside in terms of making sure that this transition happens? Or how would the oversight take place? Obviously, it's more difficult without having somebody overseeing this.

Ms. MELVIN. When we did our work and reported on the oversight issue, one of the things that we looked at were their investment review boards. And that would be the critical players in terms of a chief information officer, chief financial officer, whomever else would be involved, the key officials from the business side who make the decisions on what the investments are going to be, how they prioritize those. We continue to believe that that's necessary, in terms of having those key players.

Ms. Seymour is the Chief Information Officer at OPM, and we would look to her as the first source of oversight relative to what has to be done in terms of delivering the technology solutions. That being said, Mr. Zawodny, in his role, you know, from the business side, is also critical.

So the proper positions are there in terms of oversight. It's a matter of making sure that when those boards are getting together that they, in fact, are performing. When we looked at what was being done back some years ago, the board was in place; there was an oversight board. However, it had not been responding to the types of issues that—the problems and concerns that were being brought to it.

So it has to be a functional board. It has to have functional oversight capability. And that's what we would look for going forward.

Mr. LYNCH. Yes. Thank you.

I'm just concerned—as the chairman has noted, the concern up here is whether we've got all the low-hanging fruit, and so we've eliminated—I mean, you deserve to be commended. You've eliminated 75 percent of your backlog. The problem here is, though, you've got this significant lingering backlog. And if people keep retiring at the rate that they have been, we've got a—you know, we've got a possible resurgence in the size of the backlog, and we're back to square one at some point.



So now is the time to try to—you know, to try to change over the system. I know you all have tremendous responsibility already. You have made commendable progress. I'm not criticizing. I'm just trying to see what framework gets us to where we need to be. We need to have sustainable progress here. We can't retrench every so often; we need to fix the system.

And let me ask: How much of this is money, in terms of funding and—you know, we don't like the idea of just throwing money at a problem and expecting it to go away. That has proven to be a failure in the past. You've really got to spend your money wisely and make those important changes.

But, Mr. Zawodny, talk to me about the resources that you might need.

Mr. ZAWODNY. Well, Mr. Lynch, as Stated earlier, we did receive \$2.6 million in 2014. And in the present budget for 2015, we request an additional \$2.4 million.

Mr. LYNCH. Is that—Mr. Thissen was complaining about you raiding the disability trust fund. Is that where you got some of this money?

Mr. ZAWODNY. That's correct, sir. The law—

Mr. LYNCH. We can't keep doing that, though, can we?

Mr. ZAWODNY. I'm sorry?

Mr. LYNCH. We can't keep doing that, right?

Mr. ZAWODNY. Well, the law authorizes us to use the trust fund for operating expenses for retirement services. It's not—

Mr. LYNCH. Yes.

Mr. ZAWODNY [continuing]. An appropriations.

Mr. LYNCH. All right. I'm just nervous about having a resulting unfunded liability, you know, in that fund or inadequate resources. Sort of robbing Peter to pay Paul. I'd rather not get into that situation.

But go ahead. I interrupted you.

Mr. ZAWODNY. And with the current funding that we have, we believe that that's going to be a sustainable amount to get us started on the right path.

We have a number of initiatives. Like I mentioned, we're going to be releasing an RFP very shortly to solicit vendors to provide us an estimate on what it's going to cost to have a case management service started for us with a platform and actual case management system. Only then will we really understand exactly what the true cost is going to be and then be able to come back and properly budget for that in out-years.

Mr. LYNCH. Yes. OK.

All right. That's all I have, Mr. Chairman. I yield back.

Mr. FARENTHOLD. You hit a couple of the questions I had. I've basically just got a couple more questions.

Ms. Melvin, after its last major initiative resulted in termination of a \$290 million contract, OPM switched to an incremental approach for its modernization.

Have we addressed the management issues, do you think, that you've identified in your previous reports and your testimony today? Are we at a point where you think they can do it? And do you have any feeling as to—and I guess it's probably more of a

question for Mr. Zawodny after you answer, but is there the commitment to do it?

Ms. MELVIN. We hope there is, but we have not been in to look at their initiatives and what they're undertaking at this point. We would certainly look to Ms. Seymour and Mr. Zawodny to be primary players in making sure that they can move forward, and I hope that they are. But we would need to do more work to really be able to provide an informed response to that.

Mr. FARENTHOLD. All right.

And, then, Mr. Zawodny, I used to be a computer consultant in my early days, and I actually got into it when I led an automation process for a law firm that I was working at. That's what got me interested in technology.

And what I discovered was that, among a lot of the people who used the technology, be they lawyers or secretaries or whatever, are so busy in their day-to-day operations that they don't want to take the time to learn a new system or participate in a committee or a study to figure out how to automate and make their job easier.

And, you know, in today's time, most people recognize that a little bit of time invested in technology typically pays off very well.

Is there the attitude within your work force, and does it go all the way up to the top, where there is a willingness to commit the time and the effort that may in the short term put you a little bit behind, you're going to have to work a little bit harder to go to that technology committee meeting, but in the long run will make your life a whole lot easier?

Mr. ZAWODNY. The short answer to that is, yes, overwhelming enthusiasm to become more modern within the entire organization, from the top all the way down and back up.

We have a number of processes already in place within retirement services that are an automated process, from the receipt of initial notification for the individual to retire, going through the interim pay that we mentioned earlier, through the calculations piece, and even to a rudimentary type of case management system we have.

Our folks are attuned to using automation right now and welcome the opportunity to use the automation and to expand upon it even further in the future.

Mr. FARENTHOLD. And just one last question to Ms. Seymour.

Mr. Lynch talked about 80-plus legacy systems. I mean, I'm assuming those are—you know, you've got some old systems that are probably in Fortran and COBOL and other extinct programming language on hardware you probably can't get parts for. Would that be a fair characterization of some of the stuff?

Ms. SEYMOUR. It's fair, yes, sir.

Mr. FARENTHOLD. That's got to be awfully expensive. Would we not be able to save some money if we moved to a modern system that's more, if you will, off-the-shelf or, you know, certainly didn't have to have custom manufactured parts with vacuum tubes?

Ms. SEYMOUR. We're not—thank you, sir. We're not quite that antiquated.

But what we are doing is moving from a mainframe environment, most of these applications. And when we talk about 80 appli-

cations, they're small applications that do a very finite set of functions and, together, form the retirement services system.

So what we're doing is taking this very incremental approach, putting in place the case management system first, and then we're looking at each of those applications to make sure we understand the complete functionality that they perform and how we can move them into the modern environment.

That gives us the opportunity for Mr. Zawodny's staff to experience a little bit of the capabilities——

Mr. FARENTHOLD. Right.

Ms. SEYMOUR [continuing]. Learn a little bit. And then we give them—you know, we build on that capability over time.

Mr. FARENTHOLD. I'm reminded of a—I took a computer in when I was doing a law firm to one of the senior partners. He called me up and said, "Come get this rat thing out of my office," referring to the mouse. I hope we don't—I hope we don't have that.

I don't have anything else. Mr. Lynch, did you have anything you wanted to followup on?

Mr. LYNCH. Well, I just want to—thank you, Mr. Chairman.

I would just want to encourage you to try to tighten up what you need. You know, on this side of the dais, that's what we want to know—resources, technical assistance, maybe, you know, a third party to oversee the transition.

I know you're both working very hard, all of you are working very hard, but sometimes you need sort of an honest broker here to—when you've got 500 different procedures and all these laws and regulations, you've got 80 information systems and 400 different interfaces, sometimes that can be overwhelming and you've got obvious turf concerns between departments. If we can have somebody else sort of be the umbrella group that gets all of these people corralled, you know, we can make a little bit more progress than we have been. We're going too slow right now, and that raises some concerns for me.

So we want to be—we want to be helpful. And, you know, we just need more input in order to make sure what we're doing is rowing in the same direction that you all are. Thank you.

I yield back.

Mr. FARENTHOLD. Great. And we made it in time for us to get out to votes. We're not going to hold you over.

I join with Mr. Lynch in encouraging you to get this job done, get the process finished and fixed. Our Federal workers deserve prompt and adequate processing of their retirement after years of service to this country.

Thank you very much.

We're adjourned.

[Whereupon, at 2:12 p.m., the subcommittee was adjourned.]

